

HEALTH ANNUAL STATEMENT

FOR THE YEAR ENDING DECEMBER 31, 2002 OF THE CONDITION AND AFFAIRS OF THE

Priority Health Government Programs

NAIC Group Code	3383	0000	NAIC Company Code	11520	Employer's ID Number	32-0016523		
Organized under the Law	urrent Period)	(Prior Period) Michigan	State	of Domicile or	Port of Entry	Michigan		
Country of Domicile	3 01	Wildingair		es of America	TOIT OF EITHY	Wildingari		
	1.6 4				0 1 0 11 1			
Licensed as business type		dent & Health []		-	Service Corporation []	[V]		
		rvice Corporation []			Maintenance Organization			
Incorporated		/03/2002	vice or Indemnity [] Commenced Busi	ity [] Is HMO, Federally Qualified? Yes [] No [X nenced Business 10/01/2002				
Statutory Home Office		1231 East Bel		.,	Grand Rapids, MI 495			
		(Street and Nu	·		(City or Town, State and Zi	p Code)		
Main Administrative Office			1231 (S	East Beltline National Report East Beltline National Report (1988)	IE			
	d Rapids, MI 4 or Town, State ar			(Ar	616-942-0954 ea Code) (Telephone Number)			
Mail Address		31 East Beltline NE	<u> </u>		Grand Rapids, MI 49525-4	501		
	,	et and Number or P.O. Box)			(City or Town, State and Zip Cod	(e)		
Primary Location of Books	and Records				Beltline NE nd Number)			
	d Rapids, MI 4				616-464-8235 ea Code) (Telephone Number)			
Internet Website Address	or rown, state at	id Zip Code)	www.pric	rity-health.com				
Statement Contact		Mal	colm Hall	only nounneed	616-464-8235			
	m.hall@priorit		(Name)	_	(Area Code) (Telephone Number 616-942-7916			
maicon	(E-mail Addre				(FAX Number)			
Policyowner Relations Cor	ntact		1231	East Beltline N	NE .			
Grand	d Rapids, MI 4	(Street and 9525-4501	Number)		616-942-1221			
	or Town, State ar			(Area Co	de) (Telephone Number) (Extensio	n)		
			OFFICERS					
Chief Executive Officer		Kimberly K Horn # Judith W Hooyenga		inancial Officer	Dennis J I	Reese #		
Secretary _								
Dennis J F	Reese #		VICE PRESIDEN Judith W Hooyenga	_	James F	Byrne #		
			, ,			,		
		DIRE	CTORS OR TRU	ISTEES				
State of	Michigan	······································	•					
State of	Kent		,					
The officers of this reporti			lepose and say that they	are the describe	ed officers of said reporting	g entity, and that on the		
reporting period stated ab- claims thereon, except as	ove, all of the	herein described ass	sets were the absolute pro	perty of the sa	id reporting entity, free and	d clear from any liens or		
or referred to is a full and	I true stateme	nt of all the assets a	nd liabilities and of the co	ondition and affa	airs of the said reporting e	entity as of the reporting		
period stated above, and Statement Instructions an	d Accounting	Practices and Proce	dures manual except to the	he extent that:	(1) state law may differ; o	r, (2) that state rules or		
regulations require differer belief, respectively.	nces in reporti	ng not related to acco	ounting practices and proc	edures, accord	ing to the best of their info	rmation, knowledge and		
Kimberly I Chief Executi			Dennis J Reese Chief Financial Officer		Judith W F Secre			
Offici Excedit	ive Officer		Offici i mariciai Officei		Occio	tary		
Subscribed and sworn to	before me th	s		a. Is th b. If no	is an original filing?	Yes[X] No[]		
28th day o	f Febru	uary, 2003, 2003			ate the amendment number	ər		
				2. Da	ate filed	03/01/2003		
Stacov Koning				3. Nu	umber of pages attached			
Stacey Koning Notary								

EXHIBIT 3 - ACCIDENT AND HEALTH PREMIUMS DUE AND UNPAID

1 Name of Debter	2	3 31 - 60 Dave	4 C1 00 Dave	5 Over 00 Dave	6 Nanadmittad	7 A desitte d
Name of Debtor	1 - 30 Days	31 - 60 Days	61 - 90 Days	Over 90 Days	Nonadmitted	Admitted
199999 Total individuals						
Group subscribers:						
0299997 Group subscriber subtotal	0	0	0	0	0	J
0299998 Premiums due and unpaid not individually listed	102,150	7 ,934				110,084
0299999 Total group	102,150	7,934	0	0	0	110,084
0399999 Premiums due and unpaid from Medicare entities		<u>[</u>				· · · · · · · · · · · · · · · · · · ·
0499999 Premiums due and unpaid from Medicaid entities						
0599999 Accident and health premiums due and unpaid (Page 2, Line 10)	102,150	7,934	0	0	0	110,084

EXHIBIT 4 - HEALTH CARE RECEIVABLES

1	2	3	4	5	6	7
Name of Debtor	1 - 30 Days	31 - 60 Days	61 - 90 Days	Over 90 Days	Nonadmitted	Admitted
Individually Listed Receivables: First Health						
First Health	148,252					148 , 252 219 , 108
State of Michigan	109,554	109,554				219,108
	45.000	ł				45.000
0499999 Receivables not individually listed	15,980	0				15,980 383,340
0599999 Gross health care receivables	273,786	109,554	0	0	0	383,340

EXHIBIT 5 - CLAIMS PAYABLE (Reported and Unreported)

	Aging Analysis of Unpaid	Claims				
1	2	3	4	5	6	7
Account	1 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	Over 120 Days	Total
Claims Payable (Reported)						
						-
0199999 Individually listed claims payable	0	0	0	0	0	0
0299999 Aggregate accounts not individually listed-uncovered	86,007 567,077					
0399999 Aggregate accounts not individually listed-covered		0		2	0	307,077
0499999 Subtotals	653,084	0	0	0	0	653,084
0599999 Unreported claims and other claim reserves						2,377,951
0699999 Total amounts withheld						46,939 3,077,974
0799999 Total claims payable						7,338
0899999 Accrued medical incentive pool						7,330

EXHIBIT 6 - AMOUNTS DUE FROM PARENT, SUBSIDIARIES AND AFFILIATES

1	2	3	1 4	5	6	Adm	itted
'	1	ŭ		Ŭ	Ĭ	7	8
Name of Affiliate	1 - 30 Days	31 - 60 Days	61 - 90 Days	Over 90 Days	Nonadmitted	Current	Non-Current
Individually Listed Receivables: Spectrum Hospital	590,000		·			590,000	
Priority Health	76,838					76,838	
					•		
0199999 Individually listed receivables		0	0	0	0	666 , 838	0
0199999 Individually listed receivables	0					0	
0399999 Total gross amounts receivable	666,838	0	0	0	0	666,838	0

EXHIBIT 7 - AMOUNTS DUE TO PARENT, SUBSIDIARIES AND AFFILIATES

1	2	3	4	5
Affiliate	Description	Amount	Current	Non-Current
Priority Health	Trade	1,974,942	1,974,942	
OLOGOGO Latituda III. listad a surella s		1,974,942	1,974,942	Λ
0199999 Individually listed payables 0299999 Payables not individually listed 0399999 Total gross payables		1,974,942	1,974,942	
Ozasasa Fayanes not individually listed		1,974,942	1,974,942	0
U399999 Total gross payables		1,974,942	1,974,942	U

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ANNUAL STATEMENT FOR THE YEAR 2002 OF THE Priority Health Government Programs

EXHIBIT 8 PART 1- SUMMARY OF TRANSACTIONS WITH PROVIDERS

Payment Method	1 Direct Medical Expense Payment	2 Column 1 as a % of Total	3 Total Members Covered	4 Column 3 as a % of Total	5 Column 1 Expenses Paid to Affiliated Providers	6 Column 1 Expenses Paid to Non-Affiliated Providers
Capitation Payments:						
1. Medical groups	0	0.0		0.0		
2. Intermediaries	0	0.0		0.0		
3. All other providers	2,108,422	40.6	26,205	100.0	2,108,422	
4. Total capitation payments	2,108,422	40.6	26,205	100.0	2,108,422	0
Other Payments:						
5. Fee-for-service	478,612	9.2	XXX	XXX		478,612
6. Contractual fee payments	0	0.0	XXX	XXX		
7. Bonus/withhold arrangements - fee-for-service	2,605,811	50.2	XXX	XXX	2,605,811	
Bonus/withhold arrangements - contractual fee payments	0	0.0	XXX	XXX	0	
9. Non-contingent salaries	0	0.0	XXX	XXX		
10. Aggregate cost arrangements	0	0.0	XXX	XXX		
11. All other payments	0	0.0	XXX	XXX		
12. Total other payments	3,084,423	59.4	XXX	XXX	2,605,811	478,612
13. TOTAL (Line 4 plus Line 12)	5,192,845	100 %	XXX	XXX	4,714,233	478,612

EXHIBIT 8 - PART 2 - SUMMARY OF TRANSACTIONS WITH INTERMEDIARIES

1	2	3	4 Average Monthly	6 Intermediary's Total Adjusted Capital	7 Intermediary's Authorized
NAIC Code	Name of Intermediary	Capitation Paid	Capitation	Total Adjusted Capital	Control Level RBC
	NONE				
9999999 Totals			XXX	XXX	XXX

EXHIBIT 9 – FURNITURE, EQUIPMENT AND SUPPLIES OWNED

			1	2	3	4	5	6
	Description		Gost	Improvements	Accumulated Depreciation	Book Value Less Encumbrances	Assets Not Admitted	Net Admitted Assets
Administrative furniture and equipment		AOIA						
Medical furniture, equipment and fixtures								
Pharmaceuticals and surgical supplies								
Durable medical equipment								
5. Other property and equipment								
6. Total								



EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION 1. DIVISION 2. DIVISION

Priority Health Government Programs **REPORT FOR: 1. CORPORATION**

NAIC Group Code 3383 BUSINESS IN THE STATE O				DURING THE YEAR	2. DIVISION			(LOCATION) NAI	C Company Code	11520
a.	1	Comprel (Hospital &		4	5	6	7	8	9	10
	Total	2 Individual	3 Group	Medicare Supplement	Vision Only	Dental Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other
Total Members at end of:										
1. Prior Year	0									
2 First Quarter	0									
3 Second Quarter	0									
4. Third Quarter	0									
5. Current Year	22,202								21,225	97
6 Current Year Member Months	74,677								71,774	2,90
Total Member Ambulatory Encounters for Year:										
7. Physician	48,495								47 ,215	1,28
8. Non-Physician	0									
9. Total	48,495	0	0	0	0	0	0	0	47 ,215	1,28
10. Hospital Patient Days Incurred	1,961								1,940	2
11. Number of Inpatient Admissions	448								431	1
12. Premiums Collected	9,112,491								8,910,855	201,63
13. Premiums Earned	9,222,575								9,018,503	204,07
14. Amount Paid for Provision of Health Care Services	5,192,845								5,071,395	121,45
15. Amount Incurred for Provision of Health Care Services	8,286,426								8,168,556	117,87



EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION

Priority Health Government Programs REPORT FOR: 1. CORPORATION

NAIC Group Code 3383 BUSINESS IN THE STATE OF	Consolidated			DURING THE YEAR	2002			(LOCATION)	IC Company Code	11520
NATIO GROUP GODE 3363 BUSINESS IN THE STATE OF	1	Compreh (Hospital &	nensive Medical)	4	5	6	7	8	9	10
	Total	2 Individual	3 Group	Medicare Supplement	Vision Only	Dental Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other
Total Members at end of:			·	• •	-	•				
1. Prior Year	0	0	0	0	0	0	0	0	0	
2 First Quarter	0	0	0	0	0	0	0	0	0	
3 Second Quarter	0	0	0	0	0	0	0	0	0	
4. Third Quarter	0	0	0	0	0	0	0	0	0	
5. Current Year	22,202	0	0	0	0	0	0	0	21,225	97
6 Current Year Member Months	74,677	0	0	0	0	0	0	0	71,774	2,90
Total Member Ambulatory Encounters for Year:										
7. Physician	48,495	0	0	0	0	0	0	0	47 ,215	1,28
8. Non-Physician	0	0	0	0	0	0	0	0	0	
9. Total	48,495	0	0	0	0	0	0	0	47 ,215	1,28
10. Hospital Patient Days Incurred	1,961	0	0	0	0	0	0	0	1,940	2
11. Number of Inpatient Admissions	448	0	0	0	0	0	0	0	431	1
12. Premiums Collected	9,112,491	0	0	0	0	0	0	0	8,910,855	201,63
13. Premiums Earned	9,222,575	0	0	0	0	0	0	0	9,018,503	204,07
14. Amount Paid for Provision of Health Care Services	5,192,845	0	0	0	0	0	0	0	5,071,395	121,45
15. Amount Incurred for Provision of Health Care Services	8,286,426	0	0	0	0	0	0	0	8,168,556	

SCHEDULE A VERIFICATION BETWEEN YEARS

1.	Book/adjusted carrying value, December 31, prior year (prior year statement)
	Increase (decrease) by adjustment:
	2.1 Totals, Part 1, Column 10
	2.2 Totals, Part 3, Column 7
3.	2.1 Totals, Part 1, Column 10 2.2 Totals, Part 3, Column 7 Cost of acquired, (Totals, Part 2, Column 6, net of encumb nice column 7) old at our dittals and permanent improvements (Column 9)
4.	Cost of additions and permanent improvements:
	4.1 Totals, Part 1, Column 13
	4.2 Totals, Part 3, Column 9
5.	Total profit (loss) on sales, Part 3, Column 14
6.	Increase (decrease) by foreign exchange adjustment:
	6.1 Totals, Part 1, Column 11
	6.2 Totals, Part 3, Column 8
7.	Amounts received on sales, Part 3, Column 11 and Part 1, Column 12
8.	Book/adjusted carrying value at end of current period
9.	Total valuation allowance
	Subtotal (Lines 8 plus 9)
	Total nonadmitted amounts
	Statement value, current period (Page 2, real estate lines, current period)

SCHEDULE B VERIFICATION BETWEEN YEARS

1.	Book value/recorded investment excluding accrued interest of mortgages owned, December 31 of prior year
2.	Amount loaned during year:
	2.1 Actual cost at time of acquisitions
	2.2 Additional investment made after acquisitions
3.	Accrual of discount and mortgage interest points and commitment fees
4.	Increase (decrease) by adjustment
	Total profit (loss) on sale
6.	Amounts paid on account or in full during the year
7.	Amortization of premium
8.	Increase (decrease) by foreign exchange adjustment
9.	Book value/recorded investment excluding accrued interest on mortgages owned at end of current period
10.	Total valuation allowance
11.	Subtotal (Lines 9 plus 10)
12.	Total nonadmitted amounts
	Statement value of mortgages owned at end of current period

SCHEDULE BA VERIFICATION BETWEEN YEARS

١.	Book/adjusted carrying value of long-term invested assets owned. December 31 of brior year
2.	Cost of acquisitions during year:
	2.1 Actual cost at time of acquisitions
	2.2 Additional investment made after acquisitions
3.	Accrual of discount
	Increase (decrease) by adjustment
	Total profit (loss) on sale
	Amounts paid on account or in full during the year
7.	Amortization of premium
8.	Increase (decrease) by foreign exchange adjustment
9.	Book/adjusted carrying value of long-term invested assets at end of current period
10.	Total valuation allowance
	Subtotal (Lines 9 plus 10)
	Total nonadmitted amounts
	Statement value of long-term invested assets at end of current period

5.7 Totals

ANNUAL STATEMENT FOR THE YEAR 2002 OF THE Priority Health Government Programs

SCHEDULE D - PART 1A - SECTION 1

Quality and Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values by Major Types of Issues and NAIC Designations Over 1 Year Through Over 5 Years Through Over 10 Years Total from Col. 6 % From Col. 7 Total Publicly Total Privately Placed Col. 6 as a Quality Rating per the NAIC Designation 5 Years 10 Years Through 20 Years Over 20 Years **Total Current Year** % of Line 10.7 Prior Year Prior Year Traded 1 Year or Less (a) 1. U.S. Governments, Schedules D & DA (Group 1) 1,023,398 ..1,023,398 .100.0 ..1,023,398 1.1 Class 1 .0.0 1.2 Class 2 0.0 1.3 Class 3 ..0.0 .0.0 1.4 Class 4 0.0 0.0 1.5 Class 5 0.0 0.0. 1.6 Class 6 0.0 0.0 1.023.398 100.0 1.023.398 0.0 1.023.398 1.7 Totals 2. All Other Governments, Schedules D & DA (Group 2) 2.1 Class 1 0.0 .0.0 .0.0 .0.0 2.2 Class 2 ..0.0 .0.0 2.3 Class 3 2.4 Class 4 0.0 0.0 2.5 Class 5 ..0.0 .0.0 2.6 Class 6 0.0 0.0 0.0 0.0 2.7 Totals 3. States, Territories and Possessions etc., Guaranteed, Schedules D & DA (Group 3) 0.0 0.0 3.2 Class 2 0.0 ..0.0 3.3 Class 3 .0.0 .0.0 .0.0 3.4 Class 4 3.5 Class 5 0.0 0.0. 3.6 Class 6 0.0 0.0 0.0 3.7 Totals 0.0 4. Political Subdivisions of States, Territories and Possessions, Guaranteed, Schedules D & DA (Group 4) 0.0 0.0 4.1 Class 1 4.2 Class 2 .0.0 .0.0 0.0 4.3 Class 3 0.0 0.0 4.4 Class 4 4.5 Class 5 0.0 .0.0 0.0 0.0 4.6 Class 6 4.7 Totals 0.0 0.0 5. Special Revenue & Special Assessment Obligations etc., Non-Guaranteed, Schedules D & DA (Group 5) 5.1 Class 1 .0.0 0.0. 0.0 5.2 Class 2 ..0.0 5.3 Class 3 0.0 0.0 5.4 Class 4 .0.0 .0.0 5.5 Class 5 ..0.0 ..0.0 0.0 0.0 5.6 Class 6

0.0

0.0

9.7 Totals

ANNUAL STATEMENT FOR THE YEAR 2002 OF THE Priority Health Government Programs

SCHEDULE D - PART 1A - SECTION 1 (continued)

Quality and Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values by Major Types of Issues and NAIC Designations Over 1 Year Through Over 5 Years Through Over 10 Years Col. 6 as a Total from Col. 6 % From Col. 7 Total Publicly Total Privately Placed Quality Rating per the NAIC Designation 1 Year or Less 5 Years 10 Years Through 20 Years Over 20 Years **Total Current Year** % of Line 10.7 Prior Year Prior Year Traded (a) 6. Public Utilities (Unaffiliated), Schedules D & DA (Group 6) 0.0. 6.1 Class 1 0.0. 6.2 Class 2 0.0 0.0 0.0 6.3 Class 3 .0.0 6.4 Class 4 ..0.0 0.0 ..0.0 6.5 Class 5 .0.0 0.0 6.6 Class 6 0.0 0.0 0.0 6.7 Totals 7. Industrial & Miscellaneous (Unaffiliated), Schedules D & DA (Group 7) 7.1 Class 1 ..0.0 .0.0 7.2 Class 2 0.0 .0.0 7.3 Class 3 0.0 0.0. 7.4 Class 4 0.0 0.0 0.0 7.5 Class 5 .0.0 0.0 7.6 Class 6 0.0 0.0 0.0 7.7 Totals 8. Credit Tenant Loans, Schedules D & DA (Group 8) 0.0 8.1 Class 1 .0.0 0.0. .0.0 8.2 Class 2 8.3 Class 3 ..0.0 .0.0 8.4 Class 4 0.0 .0.0 8.5 Class 5 0.0 .0.0 0.0 8.6 Class 6 0.0 0.0 0.0 9. Parent, Subsidiaries and Affiliates, Schedules D & DA (Group 9) .0.0 9.1 Class 1 .0.0 9.2 Class 2 ..0.0 .0.0 9.3 Class 3 0.0 .0.0 9.4 Class 4 0.0. .0.0 9.5 Class 5. 0.0 0.0 9.6 Class 6 0.0 0.0

0.0

SCHEDULE D - PART 1A - SECTION 1 (continued)

		Quality and Matur	ity Distribution of All B	onds Owned December	er 31, at Book/Adjuste	d Carrying Values by N	Major Types of Issues	and NAIC Designation			
	1	2	3	4	5	6	7	8	9	10	11
			Over 5 Years Through	Over 10 Years			Col. 6 as a	Total from Col. 6	% From Col. 7	Total Publicly	Total Privately Placed
Quality Rating per the NAIC Designation	1 Year or Less	5 Years	10 Years	Through 20 Years	Over 20 Years	Total Current Year	% of Line 10.7	Prior Year	Prior Year	Traded	(a)
10. Total Bonds Current Year											
10.1 Class 1	0	1,023,398	0	0	0	1,023,398	100.0	ХХХ	ХХХ	1,023,398	0
10.2 Class 2	0	0	0	0	0	0	0.0	XXX	ХХХ	0	0
10.3 Class 3	0	0	0	0	0	0	0.0	ХХХ	ХХХ	0	0
10.4 Class 4	0	0	0	0	0	0	0.0	XXX	ХХХ	0	0
10.5 Class 5	0	0	0	0	0	(c)0	0.0	XXX	ХХХ	0	0
10.6 Class 6	0	0	0	0	0	(c) 0	0.0	XXX	XXX	0	0
10.7 Totals	0	1,023,398	0	0	0	^(b) 1,023,398	100.0	XXX	XXX	1,023,398	0
10.8 Line 10.7 as a % of Col. 6	0.0	100.0	0.0	0.0	0.0	100.0	XXX	XXX	XXX	100.0	0.0
11. Total Bonds Prior Year											
11.1 Class 1	0	0	0	0	0	XXX	XXX	0	0.0	0	0
11.2 Class 2	0	0	0	0	0	XXX	XXX	I 0	0.0	0	0
11.3 Class 3	0	0	0	0	0	XXX	XXX	0	0.0	0	0
11.4 Class 4	0	0	0	0	0	XXX	XXX	0	0.0	0	0
11.5 Class 5	0	0	0	0	0	XXX	XXX	(c) 0	0.0	0	0
11.6 Class 6	0	0	0	0	0	XXX	XXX	(c) 0	0.0	0	0
11.7 Totals	0	0	0	0	0	XXX	XXX	(b) 0	0.0	0	0
11.8 Line 11.7 as a % of Col. 8	0.0	0.0	0.0	0.0	0.0	XXX	XXX	0.0	XXX	0.0	0.0
12. Total Publicly Traded Bonds											
12.1 Class 1		1,023,398				1,023,398	100.0	0	0.0	1,023,398	XXX
12.2 Class 2						0	0.0	0	0.0	0	XXX
12.3 Class 3						0	0.0	0	0.0	0	XXX
12.4 Class 4						0	0.0	0	0.0	0	XXX
12.5 Class 5						0	0.0	0	0.0	0	XXX
12.6 Class 6						0	0.0	0	0.0	0	XXX
12.7 Totals	0	1,023,398	0	0	0	1,023,398	100.0	0	0.0	1,023,398	XXX
12.8 Line 12.7 as a % of Col. 6	0.0	100.0	0.0	0.0	0.0	100.0	XXX	XXX	XXX	100.0	XXX
12.9 Line 12.7 as a % of Line 10.7,											
Col. 6, Section 10	0.0	100.0	0.0	0.0	0.0	100.0	XXX	XXX	XXX	100.0	XXX
13. Total Privately Placed Bonds	•	•	•								
13.1 Class 1						0	0.0	0	0.0	XXX	0
13.2 Class 2						0	0.0	0	0.0	XXX	0
13.3 Class 3						0	0.0	0	0.0	XXX	0
13.4 Class 4						0	0.0	0	0.0	XXX	0
13.5 Class 5						0	0.0	0	0.0	XXX	0
13.6 Class 6						0	0.0	0	0.0	XXX	0
13.7 Totals	0	0	0	0	0	0	0.0	0	0.0	XXX	0
13.8 Line 13.7 as a % of Col. 6	0.0	0.0	0.0	0.0	0.0	0.0	XXX	XXX	XXX	XXX	0.0
13.9 Line 13.7 as a % of Line 10.7,											Ī
Col. 6, Section 10	0.0	0.0	0.0	0.0	0.0	0.0	XXX	XXX	XXX	XXX	0.0
)		0.0	0.0		0.0	0.0	7001	1 /////	,,,,,,	,,,,,	0.0

⁽a) Includes \$ freely tradable under SEC Rule 144 or qualified for resale under SEC Rule 144A.

SCHEDULE D - PART 1A - SECTION 2

Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values by Major Type and Subtype of Issues												
	1	2 Over 1 Year	3 Over 5 Years	4 Over 10 Years	5	6	7 Col. 6 as a %	8 Total from Col 6	9 % From Col. 7	10 Total Publicly	11 Total Privately	
Distribution by Type	1 Year or Less	Through 5 Years	Through 10 Years	Through 20 Years	Over 20 Years	Total Current Year	of Line 10.7	Prior Year	Prior Year	Traded	Placed	
1. U.S. Governments, Schedules D & DA (Group 1)	1	1.023,398	I	4		1.023.398	100.0	0	0.0	1.023.398		
1.1 Issuer Obligations 1.2 Single Class Mortgage-Backed/Asset-Backed Securities		1,023,390		•		1,023,390	0.0		0.0	1,023,390		
1.2 Single Class Mortgage-Backed/Asset-Backed Securities		1.023.398	0	0	0	1.023.398	100.0	0	0.0	1.023.398		
1./ Totals 2. All Other Governments. Schedules D & DA (Group 2)	U	1,023,398	U	U	U	1,023,398	100.0	U	0.0	1,023,398	(
2. All Other Governments, Schedules D & DA (Group 2) 2.1 Issuer Obligations						0	0.0	0	0.0			
2.2 Single Class Mortgage-Backed/Asset-Backed Securities						0	0.0		0.0			
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES								0				
2.3 Defined						0	0.0	U	0.0			
2.4 Other							0.0	U	0.0			
2.5 Defined						0	0.0	0	0.0			
2.6 Other						0	0.0	0	0.0			
2.7 Totals	0	0	0	0	0	0	0.0	0	0.0	0	(
3. States, Territories, and Possessions Guaranteed, Schedules D & DA (Group 3)	1		1									
Issuer Obligations Single Class Mortgage-Backed/Asset-Backed Securities						0 0	0.0	0	0.0			
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES 3.3 Defined						0	0.0	0	0.0			
3.4 Other						0	0.0	0	0.0			
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET- BACKED SECURITIES							0.0		0.0			
3.5 Defined							0.0		0.0			
3.7 Totals	0	0	0	0	0	0	0.0	0	0.0	٥	(
4. Political Subdivisions of States. Territories and Possessions. Guaranteed. Sched	U	U	U	U	U	U	0.0	U	0.0	U	(
4.1 Issuer Obligations of States, Territories and Possessions, Guaranteed, Sched	uies D & DA (Group 4)		1	-		0	0.0	0	0.0			
4.2 Single Class Mortgage-Backed/Asset-Backed Securities						 N	0.0	0 N	0.0			
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES 4.3 Defined						0	0.0	0	0.0			
4.4 Other							0.0	 N	0.0			
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET- BACKED SECURITIES												
4.5 Defined						0	0.0	0	0.0			
4.6 Other						0	0.0	0	0.0			
4.7 Totals	0	0	0	0	0	0	0.0	0	0.0	0	(
Special Revenue & Special Assessment Obligations etc., Non-Guaranteed, Sched I Issuer Obligations	ules D & DA (Group 5)		I	+		0	0.0	0	0.0			
5.2 Single Class Mortgage-Backed/Asset-Backed Securities MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES						0	0.0	0	0.0			
5.3 Defined			<u> </u>	ļ		ō	0.0	<u>0</u>	0.0			
5.4 Other			1			.10	0.0	10	0.0			
5.5 Defined			<u> </u>	ļ		0	0.0	0	0.0 0.0			
5.7 Totals	0	0	Λ	0	Λ	0	0.0	0	0.0	^	1	

9.7 Totals

ANNUAL STATEMENT FOR THE YEAR 2002 OF THE Priority Health Government Programs

SCHEDULE D - PART 1A - SECTION 2 (continued)

Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values by Najor Type and Subtype of Issues 10 Over 5 Years Col. 6 as a Total from Col. 6 **Total Publicly Total Privately** Over 10 Years % From Col. 7 Over 1 Year Through Through 10 Years Through 20 Years Over 20 Years **Total Current Year** % of Line 10.7 Prior Year Distribution by Type 1 Year or Less 5 Years Prior Year Traded Placed 6. Public Utilities (Unaffiliated), Schedules D & DA (Group 6) ..0.0 6.1 Issuer Obligations . .0.0 6.2 Single Class Mortgage-Backed/Asset-Based ...0.0 .0.0 MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES ...0.0 .0.0 6.3 Defined ...0.0 6.4 Other .0.0 MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES ..0.0 6.5 Defined 6.6 Other 0.0 0.0 6.7 Totals 0 0.0 0.0 7. Industrial & Miscellaneous (Unaffiliated), Schedules D & DA (Group 7) 7.1 Issuer Obligations ..0.0 7.2 Single Class Mortgage-Backed/Asset-Based ...0.0 .0.0 Securities MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES 7.3 Defined ...0.0 .0.0 ...0.0 7.4 Other .0.0 MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES 7.5 Defined ...0.0 .0.0 7.6 Other 0.0 0.0 7.7 Totals 0.0 0.0 8. Credit Tenant Loans, Schedules D & DA (Group 8) 0.0 0.0 8.1 Issuer Obligations 0.0 8.7 Totals 0.0 9. Parents, Subsidiaries and Affiliates, Schedules D & DA (Group 9) 9.1 Issuer Obligations ...0.0 ..0.0 9.2 Single Class Mortgage-Backed/Asset-Based 0.0 Securities .0.0 MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES ...0.0 0.0 9.3 Defined ...0.0 .0.0 MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES ...0.0 9.5 Defined 0.0 0.0 9.6 Other

0

0.0

0.0

SCHEDULE D - PART 1A - SECTION 2 (continued)

SCHEDULE D - PART 1A - SECTION 2 (CONTINUED) Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values by Major Type and Subtype of Issues														
1 2 3 4 5 6 7 8 9 10 11 Over 1 Year Over 5 Years Over 10 Years Total Col. 6 as a % Total From Col. 6 % From Col. 7 Total Publicly Total Priva														
Distribution by Type	1 Year or Less		Over 5 Years Through 10 Years		Over 20 Years	Total Current Year	Col. 6 as a % of Line 10.7	Total From Col. 6 Prior Year	% From Col. 7 Prior Year	Total Publicly Traded	Total Privately Placed			
10. Total Bonds Current Year	1 Year or Less	Through 5 Years	Through to Years	Through 20 Years	Over 20 Years	Current Year	Of Line 10.7	Prior Year	Prior Year	rraded	Placed			
10.1 Issuer Obligations	0	1,023,398	0	0	0	1,023,398	100.0	XXX	XXX	1,023,398	٥			
10.1 Issuer Colligations 10.2 Single Class Mortgage-Backed/Asset-Backed Bonds		1,023,390		0	0	1,023,390	0.0	XXX	XXX	1,023,390				
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES				0		υ			ΛΛΛ	U				
10.3 Defined	0	0	0	0	0	0	0.0	XXX	XXX	0	0			
10.4 Other	0 N			 N	 N	 N	0.0	XXX	XXX	 N	D			
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES														
10.5 Defined	0	0	0	0	0	0	0.0	XXX	XXX	0	0			
10.6 Other	0	0	0	0	0	0	0.0	XXX	XXX	0	0			
10.7 Totals	0	1,023,398	0	0	0	1.023.398	100.0	XXX	XXX	1,023,398	0			
10.8 Line 10.7 as a % of Col. 6	0.0	100.0	0.0	0.0	0.0	100.0	XXX	XXX	XXX	100.0	0.0			
11. Total Bonds Prior Year														
11.1 Issuer Obligations	0	0	0	0	0	XXX	XXX	0	0.0	0	0			
11.2 Single Class Mortgage-Backed/Asset-Backed Bonds	0	0	0	0	0	XXX	XXX	0	0.0	0	0			
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES														
11.3 Defined	0	0	0	0	0	XXX	XXX	0	0.0	0	0			
11.4 Other	0	0	0	0	0	XXX	XXX	0	0.0	0	0			
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES										_				
11.5 Defined	0	0	0	0	0	XXX	XXX	0	0.0	0	0			
11.6 Other	0	0	0	0	0	XXX	XXX	0	0.0	0	0			
11.7 Totals	0	0	0	0	0	XXX	XXX	0	0.0	0	0			
11.8 Line 11.7 as a % of Col. 8	0.0	0.0	0.0	0.0	0.0	XXX	XXX	0.0	XXX	0.0	0.0			
12. Total Publicly Traded Bonds		4 000 000				4 000 000	400.0			4 000 000	VVVV			
12.1 Issuer Obligations		1,023,398				1,023,398	100.0	0	0.0	1,023,398	XXX			
12.2 Single Class Mortgage-Backed/Asset-Backed Bonds						U	0.0	U	0.0	D	XXX			
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES 12.3 Defined						0	0.0	0	0.0	0	XXX			
12.4 Other							0.0	U	0.0		XXX			
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES						u		U						
12.5 Defined						0	0.0	0	0.0	0	XXX			
12.6 Other						0	0.0	0	0.0	0	XXX			
12.7 Totals	0	1,023,398	0	0	0	1,023,398	100.0	0	0.0	1,023,398	XXX			
12.8 Line 12.7 as a % of Col. 6	0.0	100.0	0.0	0.0	0.0	100.0	XXX	XXX	XXX	100.0	XXX			
12.9 Line 12.7 as a % of Line 10.7, Col. 6, Section 10	0.0	100.0	0.0	0.0	0.0	100.0	XXX	XXX	XXX	100.0	XXX			
13. Total Privately Placed Bonds														
13.1 Issuer Obligations]					0	0.0	0	0.0	XXX	0			
13.2 Single Class Mortgage-Backed/Asset-Backed Bonds						0	0.0	0	0.0	XXX	0			
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES														
13.3 Defined						0	0.0	0	0.0	XXX	0			
13.4 Other						0	0.0	0	0.0	XXX	0			
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES						_		_			_			
13.5 Defined						0	0.0	<u>0</u>	0.0	XXX	0			
13.6 Other	_					0	0.0	0	0.0	XXX	0			
13.7 Totals	0	0	0	0	0	0	0.0	0	0.0	XXX	0			
13.8 Line 13.7 as a % of Col. 6	0.0	0.0	0.0	0.0	0.0	0.0	XXX	XXX	XXX	XXX	0.0			
13.9 Line 13.7 as a % of Line 10.7, Col. 6, Section 10	0.0	0.0	0.0	0.0	0.0	0.0	XXX	XXX	XXX	XXX	0.0			

Schedule DA - Part 2

NONE

Schedule DB - Part A - VBY

NONE

Schedule DB - Part B - VBY NONE

Schedule DB - Part C - VBY NONE

Schedule DB - Part D - VBY

NONE

Schedule DB - Part E - VBY NONE

Schedule DB - Part F - Section 1

NONE

Schedule DB - Part F - Section 2

NONE

Schedule S - Part 1 - Section 2

NONE

Schedule S - Part 2

NONE

SCHEDULE S - PART 3 - SECTION 2

	Reinsurance Ceded Accident and Health Insurance Listed by Reinsuring Company as of December 31, Current Year												
1	2	3	4	5	6	7	8	9	Outstanding	Surplus Relief	12	13	
NAIC								Reserve Credit	10	11	Modified	1	
Company	Federal ID						Unearned Premiums	Taken Other than for			Coinsurance	Funds Withheld	
Code	Number	Effective Date	Name of Company	Location	Type	Premiums	(estimated)	Unearned Premiums	Current Year	Prior Year	Reserve	Under Coinsurance	
90611	41 - 1366075	10/01/2002		Minnesota	ŚŚ/L	19,840	0	0	0	0	0	0	
0199999 -	· Total Affiliates	3				19,840							
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SCHEDULE S - PART 4

	Reinsurance Ceded to Unauthorized Companies													
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
													Sum of Cols.	
NAIC					Paid and Unpaid					Funds Deposited by and Withheld from			9+10+11+12+13 Bu	
Company	Federal ID	Effective		Reserve Credit	Losses Recoverable		Total			and Withhold from		Miscellaneous	Not in Excess of	
Company	rederatio				Losses necoverable	0:1 5 1::	TOTAL			and withheld from	0.11	IVIISCEIIAITEOUS	NOT IT EXCESS OF	
Code	Number	Date	Name of Reinsurer	Taken	(Debit)	Other Debits	Cols. (5+6+7)	Letters of Credit	Trust Agreements	Reinsurers	Other	Balances (Credit)	Col. 8	
				*										
						10								
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1199999	Totals	-	•											
1.00000	. 5.410												1	

Schedule S-Part 5 Five-Year Exhibit of Reinsurance Ceded Business (000 Omitted)

		1 2002	2 2001	3 2000	4 1999	5 1998								
Α. (OPERATIONS ITEMS													
1.	Premiums	1	0	0	0	0								
2.	Title XVIII-Medicare	0	0	0	0	0								
3.	Title XIX-Medicaid	19	0	0	0	0								
4.	Commissions and reinsurance expense allowance		0	0	0	0								
5.	Total medical and hospital expenses		0	0	0	0								
В.	BALANCE SHEET ITEMS													
6.	Premiums receivable		0	0	0	0								
7.	Claims payable		0	0	0	0								
8.	Reinsurance recoverable on paid losses	0	0	0	0	0								
9.	Experience rating refunds due or unpaid		0	0	0	0								
10.	Commissions and reinsurance expense allowances unpaid		0	0	0	0								
11.	Unauthorized reinsurance offset	0	0	0	0	0								
	UNAUTHORIZED REINSURANCE (DEPOSITS BY AND FUNDS WITHHELD FROM)													
12.	Funds deposited by and withheld from (F)	0	0	0	0	0								
13.	Letters of credit (L)	0	0	0	0	0								
14.	Trust agreements (T)	0	0	0	0	0								
15.	Other (O)	0	0	0	0	0								

SCHEDULE S-PART 6

Restatement of Balance Sheet to Identify Net Credit For Ceded Reinsurance

		As Reported	Restatement	Restated
		(net of ceded)	Adjustments	(gross of ceded)
	ASSETS (Page 2, Col. 3)			
1.	Cash and invested assets (Line 9)	7 ,479 ,742		7 ,479 ,74
2.	Amounts recoverable from reinsurers (Line 12)	0		
3.	Accident and health premiums due and unpaid (Line 10)	110,084		110,08
4.	Net credit for ceded reinsurance.	xxx	0	
5.	All other admitted assets (Balance)	1,072,409		1,072,40
6.	Total assets (Line 23)	8,662,235	0	8,662,23
	LIABILITIES, CAPITAL AND SURPLUS (Page 3)			
7.	Claims unpaid (Line 1)	3,077,974	0	3,077,97
8.	Accrued medical incentive pool and bonus payments (Line 2)	7,338		7 , 33
9.	Premiums received in advance (Line 6)	0		
10.	Reinsurance in unauthorized companies (Line 14)	0		
11.	All other liabilities (Balance)	2,056,173		2,056,17
12.	Total liabilities (Line 18)	5,141,485	0	5 , 141 , 48
13.	Total capital and surplus (Line 26)	3,520,750	XXX	3,520,75
14.	Total liabilities, capital and surplus (Line 27)	8,662,235	0	8,662,23
	NET CREDIT FOR CEDED REINSURANCE			
15.	Claims unpaid	0		
16.	Accrued medical incentive pool.	0		
17.	Premiums received in advance	0		
18.	Reinsurance recoverable on paid losses	0		
19.	Other ceded reinsurance recoverables	0		
20.	Total ceded reinsurance recoverables	0		
21.	Premiums receivable	0		
22.	Unauthorized reinsurance	0		
23.	Other ceded reinsurance payables/offsets	0		
24.	Total ceded reinsurance payable/offsets	0		
25	Total net credit for ceded reinsurance	0		

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SCHEDULE Y (continued) PART 2 - SUMMARY OF INSURER'S TRANSACTIONS WITH ANY AFFILIATES

	PANI 2 - SUMIMANT OF INSUREN S INANSACTIONS WITH ANT AFFILIATES													
NAIC Company Code	2 Federal ID Number	Names of Insurers and Parent, Subsidiaries or Affiliates	4 Shareholder Dividends	5 Capital Contributions	6 Purchases, Sales or Exchanges of Loans, Securities, Real Estate, Mortgage Loans or Other Investments	7 Income/ (Disbursements) Incurred in Connection with Guarantees or Undertakings for the Benefit of any Affiliate(s)	Management Agreements and Service Contracts(1,395,205)1,395,205	Income/ (Disbursements) Incurred Under Reinsurance Agreements	*	Any Other Material Activity Not in the Ordinary Course of the Insurer's Business	12 Totals (1, 305, 205)	Reinsurance Recoverable/ (Payable) on Losse and/or Reserve Credit Taken/(Liability)		
11520	32-0016523	Priority Health Managed Benefits Priority Health Government Programs					1 305 205		· · · · · · · · · · · · · · · · · · ·		(1,395,205) 1,395,205			
11020	02-00 10020	Triority nearth bovernment rrograms					1,000,200				1,000,200			
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SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your annual statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of **NO** to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not filed for whatever reason enter SEE EXPLANATION and provide an explanation following the interrogatory questions.

MARCH FILING

1.	Will the Medicare Supplement Insurance Experience Exhibit be filed with the state of domicile and the NAIC by March 1?	Yes	[]	No	[X]
2.	Will the Supplemental Compensation Exhibit be filed with the state of domicile by March 1?	Yes	[X]	No	[]
3.	Will an actuarial certification be filed by March 1?	Yes	[X]	No	[]
4.	Will the Risk-based Capital Report be filed with the NAIC by March 1?	Yes	[X]	No	[]
5.	Will the Risk-based Capital Report be filed with the state of domicile, if required by March 1?	Yes	[X]	No	[]
6.	Will the SVO Compliance Certification be filed by March 1?	Yes	[X]	No	[]
	APRIL FILING				
7.	Will Management's Discussion and Analysis be filed by April 1?	Yes	[X]	No	[]
8.	Will the Long-term Care Experience Reporting Forms be filed with the state of domicile by April 1?	Yes	[]	No	[X]
9.	Will the Investment Risks Interrogatories be filed by April 1?	Yes	[X]	No	[]
	JUNE FILING				
10.	Will an audited financial report be filed by June 1 with the state of domicile?	Yes	[X]	No	[]

EXPLANATIONS:

BAR CODE:





OVERFLOW PAGE FOR WRITE-INS